

**{As Prepared for Delivery}**

**National Council of State Legislatures Fall Forum  
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**Thomas C. Dorr  
Under Secretary for Rural Development  
Remarks: Observations on the Farm Bill Forums**

**Thank you for that kind introduction, and for the opportunity to share some observations about a subject of significant interest for all of us, the next Farm Bill.**

**It's a pleasure to be here. We have different portfolios and responsibilities but this is, nonetheless, a "Partners Meeting:"**

- I know that all of you are deeply involved in agricultural and rural development issues.**
- I'm sure that many of you have worked closely with USDA, and in particular USDA Rural Development, back in your home States and districts. If you haven't, I urge you to pick up the phone**

**when you get home, call me -- or even better -- your Rural Development State Director, and start building a partnership.**

- Finally, I know that everyone here recognizes the challenges, opportunities, political pressures -- and the very often tough choices -- that are involved in the Farm Bill debate.**

**I am very grateful, therefore, for the opportunity to review some of these issues with you today. And I hope that we will have many more opportunities in the months ahead to continue this discussion.**

**Over the last six months, USDA has held over 50 Farm Bill Forums across the country. Secretary Johanns has presided over the majority of these. Deputy Secretary Chuck Conner, other USDA Under Secretaries, and I have represented Secretary Johanns at the remainder.**

**I hope that some of you have had the opportunity to participate as well.**

**These discussions serve a serious purpose. They are the product of a conversation earlier this year between President Bush and Secretary**

**Johanns. At that time, the President observed that we had two years -- an eternity in politics -- before the next Farm Bill.**

**The President suggested that we use that time to get ahead of the debate ... to enlist as many people as possible in the discussion ... and begin to develop a broad public understanding of the choices and tradeoffs in agricultural and rural policy that we will face in 2007.**

**I should emphasize at the outset that this process is ongoing. We are now reviewing and absorbing what we have heard. The transcripts of the Forums, incidentally, are posted on the USDA website, and I encourage you to read them.**

**Based on these and other conversations, we will at some point make Departmental recommendations to the President. The President will consult with Congress, the Governors, and stakeholders and make his own recommendations.**

**Congress, of course, will ultimately write the law. Many in Congress have already begun preliminary discussions, although the actual**

**drafting of new legislation is still more than a year -- not to mention an election -- away.**

**This process, therefore, has a long way yet to run. I can't prejudge the results. What I can do, however, is give some indication of the discussion to this point.**

**I should also emphasize up front that we do not expect, as this process unfolds over the next two years, to reach consensus on every point. We will not. There are deeply held, staunchly defended points of view that are sometimes in conflict. Those have been expressed -- sometimes forcefully -- in the course of the Forums, and this will continue.**

**So there will not be unanimity. But as a first reaction to the Forums, I would like to add that I have been -- and I know Secretary Johanns has been as well -- very encouraged by the tone of the discussion.**

**Public interest and attendance have been high. The discussion has been lively. But while some differences are to be expected, participants have**

**recognized that American agriculture and rural communities -- indeed, like the rest of America itself -- face profound changes.**

**Farm Forum participants overwhelmingly have recognized that standing still is not an option. They understand that change is coming -- ready or not -- and that public policy simply must respond to the international, economic, and technological dynamics we face today. Nobody's head is in the sand. That's an important starting point.**

**That said, probably the toughest issues to address concern the safety net. I'm sure that won't surprise you.**

**Modern agricultural policy began during the Depression. Its first priority was nutrition in an era of unprecedented economic distress.**

**But the second priority, following almost immediately on the first, was farm stabilization, which translated immediately into a support system for producers.**

**Over the past 70 years, the safety net has undergone many changes. It will undergo more. Secretary Johanns recently pointed out [\*October 6 Commodity Classic speech] some of the pressure points that have surfaced in the Forums, and I'm sure you will find these issues familiar:**

- **Some participants have called for continuation of support payments in something like their current form. We all know that it is hard to change a system that is long established and built into the cost basis of current farming operations.**
- **But other participants raised concerns. In 2005, for example, the largest 3 percent of farms received nearly 30% of the payments.**
- **If we put medium and large farms together, less than 8 percent of all farms receive 50% of the support dollars, and the system tends to encourage the largest producers to grow even larger.**
- **In addition, in 2005 92% of commodity program spending was paid on just five crops – corn, wheat, soybeans, cotton, and rice.**

- **That means the great majority of producers and most agricultural commodities receive little or no support.**
- **A related concern expressed by many participants is the capitalization of support payments into increased land values.**

**This, of course, is a significant barrier to entry for young farmers and a barrier to expansion by small and medium farmers.**

**As many participants have observed, it is very hard today to simply start farming. You almost need to inherit a farm or marry into one to have a chance.**

**These issues are complex. The politics will be contentious. There are important differences among commodity groups, among generational cohorts, and between regions of the country. There are some hard choices to be made.**

**The good news is, people understand this. There will be differences in approach -- there always are -- but the first step towards a solution lies in acknowledging that the problem exists to begin with. We're there.**

**Our choices, of course, are complicated by the fact that we do not make U.S. agricultural policy in a vacuum. International trade was a concern raised at virtually every Forum.**

**Until fairly recently, as you know, most Americans saw agricultural exports as a one-way street. We were the breadbasket of the world.**

**In fact, when I was a young and then middle-aged farmer, many of us thought we could simply export our way out of our agricultural problems. But that's all changed.**

**As Farm Forum participants all around the country recognized, agricultural trade is now a two-way street, and the rules of the road need to be the same in both directions. It needs to be fair.**



**Bottom line, 95% of the world's population lives outside the United States. There's a word for all those people, and I don't mean "foreigners." The word is "customers" -- actual or potential.**

**With agricultural production outstripping demand in the United States ... with the fall of communism and hundreds of millions of people joining the world market system ... with India and China, among others, prospering economically and moving up the nutritional ladder ... there are enormous opportunities abroad for U.S. producers.**

**But trade flows both ways. Competition is intense. Keeping the United States competitive in world markets is a challenge. It involves investing in the ag sciences, in education, in transportation infrastructure, and in technology development. These are all Farm Bill issues.**

**Staying competitive also requires a level playing field. The WTO process is extremely important. U.S. subsidies are subject to challenge, and we routinely challenge other countries' subsidies as well.**

**The point for us to recognize today is that international trade considerations and WTO rules will necessarily impose some limits on our commodity programs as the next Farm Bill is written. That, of course, will be a major area of contention.**

**Not all the issues have to do with farming, narrowly defined. The 2002 Farm Bill invested significant new resources in conservation and environmental protection. This has received virtually unanimous support in the Farm Forum process.**

**Farmers are in fact America's greatest conservationists, and USDA is our nation's leading conservation organization. I'm not in the prediction business but I will make one exception here: I would expect the commitment to conservation and environmental stewardship to continue and intensify as the new Farm Bill is written.**

**Last but certainly not least, I note with considerable personal interest that in the over 50 Farm Forums held to date, our Rural Development efforts have also received virtually unanimous support.**

**There is a reason for this. The paradigm is shifting. Increasingly we are talking not only about agricultural policy, but also about rural policy -- and recognizing that the two are inextricably linked.**

**Once upon a time, you could say “rural” and mean “farm.” But that day is long gone.**

**When I was born, there were over 6 million farms in the United States. Today there are 2 ¼ million. Of those 2 ¼ million, about 250,000 produce the bulk of our food and fiber.**

**Over 60 million people live in rural America. Roughly 2 million of them are directly involved in agriculture. The rest do something else for a living. 96% of the total income in rural areas is from non-farm sources.**

**Even among farm families, the great majority rely heavily on non-farm income, with over half their total income from off-farm employment.**

**And the paradigm shift isn't just about jobs. Rural families -- whether they live on a farm or not -- expect and demand the modern infrastructure their city cousins take for granted.**

**My grandfather plowed behind a mule, got his water from a well, and got ready for bed when the sun went down. Today -- thanks to USDA Rural Development and our predecessor agencies -- rural families in most places can take electricity, telecommunications, water, and wastewater systems for granted.**

**In a single lifetime, we've gone from rural isolation and plowing behind a mule to gene splicing and GPS mapping in the fields with internet access at home and a reasonable drive to a regional mall for shopping.**

**As the technology has changed, so have the options for rural America.**

- **The internet is creating the greatest decentralization of information in human history. This is reengineering the way we live and work.**

- **Empowered by modern transportation and the internet, most businesses today can be conducted almost anywhere.**
- **With the internet, we can move work to people instead of the other way around. People are more mobile than ever before. You can live locally and compete globally with the click of a mouse.**
- **When people and businesses are mobile, rural advantages count for more: lower housing costs, lower taxes, a lower cost for doing business, no congestion, no commutes, a higher quality of life.**
- **These aren't hypotheticals. They are tangible competitive advantages, and they are changing peoples' decisions. This is happening today. Rural communities that can offer quality health care and good schools are great places to live.**
  - **Plains example**
  - **Tom Pfozzer example**
- **In addition whole new industries are on the horizon. Alternative energy leads the list:**

- **U.S. ethanol production this year exceeded 4 billion gallons.**

**Biodiesel has soared from about 5 million gallons in 2001 to 25 million last year.**

- **U.S. wind power capacity by the end of last year reached 6,740 Megawatts, and another 5,000 MW are currently under construction or in negotiation.**

**The U.S. Department of Energy's goal is to obtain 6% of U.S. electricity from wind by 2020, and that's basically an extrapolation of current growth rates.**

- **All of these, incidentally, are growing areas of investment for USDA Rural Development. I expect we will have opportunity to remind Congress of this as the new Farm Bill is written.**

**These are all Farm Bill issues. The scope is enormous. The opportunities are great. This is truly an exciting moment for rural America.**

**Yes, we have challenges. That's nothing new. But we also have the most diversified and productive agricultural system in the world. We have new opportunities in alternative energy, in value added production, in biotechnology, and in internet driven economic diversification. And we have the opportunity over the next two years to craft a Farm Bill that leverages our strengths and keeps us ahead of the international curve. That's the goal. I encourage your participation in this effort over the next two years, and together I believe that we will succeed.**

**Thank you.**